Carling O'Keefe Limited Annual Report 1980

CARLING O'KEEFE LIMITED

Principal Operating Subsidiary Companies:	CANADA CARLING O'KEEFE BREWERIES OF CANADA LIMITED LA BRASSERIE O'KEEFE LIMITÉE JORDAN VALLEY WINES LIMITED (91.9% owned) STAR OIL & GAS LTD. REPUBLIC OF IRELAND BEAMISH & CRAWFORD LIMITED

Chief Executive Officers of Principal Operating Subsidiaries:

Carling O'Keefe Breweries of Canada Limited	JAMES R. TAYLOR
La Brasserie O'Keefe Limitée	I. LOYOLA MATTE
Jordan Valley Wines Limited	DONALD H. TWINER
Star Oil & Gas Ltd.	RALPH A. ESTELLE
Beamish & Crawford Limited	R. ANTHONY HALPIN

Executive Offices:	79 ST. CLAIR AVENUE EAST, TORONTO, CANADA M4T 1M6
Auditors:	PRICE WATERHOUSE & CO.
Bankers:	BANK OF MONTREAL THE ROYAL BANK OF CANADA CHEMICAL BANK—NEW YORK
Registrars:	IN CANADA MONTREAL TRUST COMPANY IN THE UNITED STATES MORGAN GUARANTY TRUST COMPANY OF NEW YORK
Solicitors:	SMITH, LYONS, TORRANCE, STEVENSON AND MAYER
Transfer Agents:	IN CANADA NATIONAL TRUST COMPANY, LIMITED Ontario, Quebec, Manitoba, Alberta and British Columbia CANADA PERMANENT TRUST COMPANY New Brunswick and Nova Scotia THE CANADA TRUST COMPANY Saskatchewan IN THE UNITED STATES THE CHASE MANHATTAN BANK

Common Stock Quarterly Stock Price Comparison

The Common stock trades on the Toronto, Montreal, Vancouver, New York and Amsterdam exchanges, using the symbol CKB. The valuation day value was $7.50. The following table sets forth on a quarterly basis, the high and low sales prices on The Toronto Stock Exchange for the two years ended March 31, 1980:

	1980 Market Price		1979 Market Price	
Quarter	High	Low	High	Low
First	$6.62	$5.00	$5.25	$3.85
Second	6.75	5.25	5.12	4.15
Third	7.12	4.80	4.90	3.90
Fourth	10.62	5.75	5.50	4.65

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CARLING O'KEEFE LIMITED

Executive Offices: 79 St. Clair Avenue East, Toronto, Canada, M4T 1M6

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

JULY 17, 1980

The annual meeting of shareholders of Carling O'Keefe Limited (the "Corporation") will be held in the Toronto Room, Hotel Toronto, 145 Richmond Street West, Toronto, Ontario, on Thursday, July 17, 1980 at 2:00 o'clock in the afternoon (Toronto time) for the following purposes:

1. to receive the consolidated financial statements of the Corporation and its subsidiaries for the year ended March 31, 1980 together with the reports of the Directors and auditors thereon;

2. to elect Directors;

3. to appoint auditors and authorize the Directors to fix their remuneration; and

4. to transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

DATED at Toronto, May 28, 1980.

By Order of the Board of Directors.

PETER JOHN YOUNG,
Vice President Legal and Secretary.

NOTE: Shareholders unable to be present in person are asked to fill in, date, sign and return the enclosed proxy card in the self-addressed envelope provided.

PROXY STATEMENT AND INFORMATION CIRCULAR

This statement is furnished in connection with the solicitation of proxies by the management of Carling O'Keefe Limited (herein sometimes called the "Corporation") for use at the annual meeting of shareholders of the Corporation to be held on July 17, 1980 at 2:00 o'clock in the afternoon (Toronto time) in the Toronto Room, Hotel Toronto, 145 Richmond Street West, Toronto, Ontario, for the purposes set forth in the foregoing Notice of Annual Meeting of Shareholders (which annual meeting is herein called the "Meeting"). Only holders of common shares of record on July 15, 1980 will be entitled to vote at the Meeting. Each such holder of a common share is entitled to one vote for each such share held. As at May 28, 1980 the Corporation had outstanding 21,762,295 common shares.

This proxy statement and information circular together with proxy card, will be mailed to holders of common shares of record commencing on June 21, 1980. June 20, 1980 is the record date for notice of the Meeting.

A shareholder has the right to appoint a person (who need not be a shareholder) to attend and act for and on behalf of such shareholder at the Meeting other than the persons designated in the enclosed proxy card. To exercise this right the shareholder may insert the name of the desired person in the appropriate blank space provided in the proxy card and strike out the other names or may submit another appropriate proxy.

A shareholder executing the enclosed proxy card has the power to revoke it at any time before it is exercised. Section 116(4) of The Business Corporations Act, 1970, of Ontario, sets out a procedure for revoking proxies by the deposit of an instrument in writing at the head office of the Corporation or with the chairman of the Meeting.

ELECTION OF DIRECTORS

Proxies received will be voted in the manner directed therein by the shareholder in the election of twelve Directors for a term ending at the next annual meeting of shareholders or when their successors shall be elected or appointed. **Although management is not presently aware that any of such nominees would be unwilling to serve as a Director if elected, in the event that prior to the Meeting any vacancies occur in the slate of nominees submitted herewith it is intended that discretionary authority shall be granted to vote the proxy for the election of any other person or persons as Directors.**

Biographical summaries concerning the nominees for election as Directors are set out below:

RALPH L. BEATTY, C.A.
Toronto, Ontario.
Director since 1979.
Executive Vice President Finance, Carling O'Keefe Limited (holding company).

Mr. Beatty, 44, joined the Corporation in 1964 and has held senior executive positions with the Corporation since that time. He is a Director of Star Oil & Gas Ltd., a wholly owned subsidiary of the Corporation.

CONRAD M. BLACK, LL.L., M.A.
Toronto, Ontario.
Director since 1978.
Vice-Chairman and Chairman of the Executive Committee, Hollinger Argus Limited (investment and mining company).

Mr. Black, 35, has held his present position since August 1979. From July 1978 until August 1979, Mr. Black was President of Argus Corporation Limited. Prior to 1978, Mr. Black was Chairman of the Board of Sterling Newspapers Limited since at least 1975. He is also Chairman of the Board and Chairman of the Executive Committee of Argus Corporation Limited, Chairman of the Executive Committee of Massey-Ferguson Limited, Chairman of the Board of The Ravelston Corporation Limited and President of Western Dominion Investment Company Limited (including Sterling Newspapers and Dominion Malting). He is Chairman of the Toronto Advisory Board of Crown Trust Company and a Member of the Executive Committee and Director of Canadian Imperial Bank of Commerce, Dominion Stores Limited and Standard Broadcasting Corporation Limited. Mr. Black is Chairman of the Executive Committee and a Director of Norcen Energy Resources Ltd. He is also a Director of CFRB Limited, Confederation Life Insurance Company, Eaton's of Canada Limited, The T. Eaton Acceptance Co. Limited, Iron Ore Company of Canada, Labrador Mining and Exploration Company Limited and Massey-Ferguson Holdings Limited (UK). Mr. Black is the author of "Duplessis".

John P. U. Burr, M.B.E.
London, England.
Director since 1977.
Director, Bass Limited (brewing company).

Mr. Burr, 61, has held various senior executive positions with Bass Limited or its affiliates since at least 1975. He is a Director and Member of the Executive Committee of Bass Limited. Previously Chairman of Bass Brewing, he is now Chairman of Bass Europe. Mr. Burr is a Member of the Executive Committee and Council, Chairman of the International Committee and a former Chairman of the Technical Committee and a Member of the Finance Committee of the Brewers' Society. He is also a Member of the Council of the Brewing Research Foundation and a Member of the Institute of Brewing and the Incorporated Brewers' Guild. He is head of the United Kingdom Delegation to the European Common Market Brewers' Council. Bass Limited as of May 28, 1980 was the owner of record of 232,345 common shares of the Corporation.

John H. Devlin
Toronto, Ontario.
Director since 1979.
Chairman of the Board, Rothmans of Pall Mall Canada Limited (tobacco and holding company).

Mr. Devlin, 60, has held his present position since at least 1975. A subsidiary of Rothmans of Pall Mall Canada Limited, Rothmans Investments Limited, was the owner of record of 10,907,487 (or 50.1%) common shares of the Corporation as of May 28, 1980. Mr. Devlin is Chairman of Alfred Dunhill of London Limited and a Director of Rothmans International Limited, Bank of Montreal and Crown Life Insurance Company. He is a Director of The Council for Business and the Arts in Canada and The World Wildlife Fund (Canada). He serves as a Member of the Board of Trustees of the Royal Ontario Museum and a Member of the Business Committee for the Arts, New York.

The Honourable Jean Lesage, P.C., C.C., Q.C., LL.D.
Quebec, Quebec.
Director since 1975.
Senior Partner in the law firm of Lesage, Paquet & Lesage.

Mr. Lesage, 67, has been a senior partner in the law firm of Lesage, Paquet & Lesage since at least 1975. He is Chairman of Le Club de Hockey Les Nordiques (1979) Inc., a wholly owned subsidiary of the Corporation. He is a Director of J. J. Barker Co. Ltd., Bigelow-Canada Ltd., Bunge Canada Ltd., Canadian Reynolds Metals Co. Ltd., Montreal Trust Company, La Cie d'Assurances Provinces unies, Lever Brothers Limited, Mondev International Ltd., Reynolds Metals Co., and Kruger Corporation.

†John C. Lockwood
Toronto, Ontario.
Director since 1975.
Chairman of the Board, Carling O'Keefe Limited (holding company).

Mr. Lockwood, 67, has held his present position since July 1975. He was also President of the Corporation from 1976 to 1978. Prior to 1975 Mr. Lockwood was Chairman of Lever Brothers Limited. He is a Director of Rothmans of Pall Mall Canada Limited, whose subsidiary, Rothmans Investments Limited, was the owner of record of 10,907,487 (or 50.1%) common shares of the Corporation as of May 28, 1980. Mr. Lockwood is Co-Chairman of the Canadian Council of Christians and Jews, Governor of the National Theatre School, Member of the Senate of The Stratford Shakespearean Festival Foundation of Canada and Chairman of the Mediaeval Studies Foundation.

†S. Roderick McInnes, C.A.
Toronto, Ontario.
Director since 1976.
President and Chief Executive Officer, Carling O'Keefe Limited (holding company).

Mr. McInnes, 46, has held his present position since January 1979. From September 1976 to February 1979 he served as Chairman of the Board, President and Chief Executive Officer of Carling O'Keefe Breweries of Canada Limited, a wholly owned subsidiary of the Corporation. He continues to serve as Chairman of the Board of that company. Prior to September 1976 Mr. McInnes was President and Chief Executive Officer of Connaught

Laboratories Limited and Executive Vice President of that company since at least 1975. He is a Member of the Board of Governors of North York General Hospital.

Sir David Nicolson, F.Eng., M.E.P.
London, England.
Director since 1978.
Chairman of the Board, Rothmans International Limited (tobacco and holding company).

Sir David, 57, has held his present position since 1975. Prior to 1975 he was Chairman of British Airways. He is a Director of Rothmans of Pall Mall Canada Limited, whose subsidiary, Rothmans Investments Limited, was the owner of record of 10,907,487 (or 50.1%) common shares of the Corporation as of May 28, 1980. Rothmans International Limited is a parent company of Rothmans of Pall Mall Canada Limited. Sir David is a Member of the European Parliament (for London Central). He is Chairman of BTR Limited and BTR Inc., and a Director of Rothmans of Pall Mall (Australia) Ltd., Rothmans of Pall Mall (Malaysia) Berhad, Alfred Dunhill Ltd., Bank of Montreal, Todd Shipyards Corporation (New York), Tradewinds Airways Ltd., Drayton Consolidated Trust Ltd., Ciba-Geigy (UK) Ltd., and was formerly Chairman of the British National Export Committee for Canada. He is a Member of the Council of the Confederation of British Industry.

*George C. Solomon
Regina, Saskatchewan.
Director since 1964.
President, Western Limited (real estate and investment company).

Mr. Solomon, 67, has held his present position since at least 1975. He is also a Director of Potash Corporation of Saskatchewan, Inter-City Gas Limited, Pembina Mountain Clays Ltd., International Paints (Canada) Ltd., Ocelot Industries Ltd., and Bank of Montreal.

Poul J. Svanholm
Copenhagen, Denmark.
Director since 1979.
President and Chief Executive Officer, The United Breweries Limited (brewing company).

Mr. Svanholm, 46, has held his present position since at least 1975. He is Chairman of United Breweries International Ltd., Carlsberg Brewery Ltd. London, Carlsberg Brewery Hong Kong Ltd., Carlsberg Malawi Brewery Ltd., and a Member of the Board of Carlsberg Brewery Malaysia Berhad, Tivoli Gardens Ltd., A/S Dampskibsselskabet Svendborg (Maersk-Group), Den Danske Bank af 1871 Aktieselskab and Danish Brewers Society (Chairman). He is Chairman of Tuborg Foundation, Thomas B. Thriges Fond, and a Member of Carlsberg Bequest to the Memory of Brewer J. C. Jacobsen.

†*Noah Torno, M.B.E.
Toronto, Ontario.
Director since 1975.
Chairman, Niagara Gas Transmission Limited (gas pipeline company).

Mr. Torno, 69, has held his present position since April 1980. Prior to April 1980, Mr. Torno was Chairman of the Board and Managing Director, Cygnus Corporation Limited since April 1979. Prior to 1979 he served as Chairman, President and Chief Executive Officer of Jordan Valley Wines Limited, a 91.9% owned subsidiary of the Corporation. Mr. Torno and a member of his family hold the balance of 8.1% of the shares in Jordan Valley Wines Limited. He is a Member of the Executive Committee and Director of Hiram Walker-Consumers Home Ltd. and a Director of Canada Trust Company and Ram Petroleums Limited. Mr. Torno is also a Director of The World Wildlife Fund (Canada).

*Louise B. Vaillancourt
Outremont, Quebec.
Director since 1979.
Company Director.

Mrs. Vaillancourt, 53, has been a company director since at least 1975. She is a Director of Bell Canada, Banque Nationale du Canada and F. W. Woolworth Co. Ltd. (Canada). Mrs. Vaillancourt is also a Director of Institut Armand Frappier, Montreal Symphony Orchestra and Council for Canadian Unity. She is a former President and Chairman of Corporation de l'Hôpital Marie Enfant.

†Member of the Pension and Compensation Committee of the Corporation.

*Member of the Audit Committee of the Corporation.

The Board of Directors held eleven meetings during the 1980 fiscal year of the Corporation. Due to previously scheduled business commitments, Messrs. Black, Burr and Svanholm and Sir David Nicolson attended fewer than 75% of the meetings of the Board. None of the Directors named was a member of any standing Committee. No other Directors attended fewer than 75% of the meetings of the Board and of the standing Committees of which they were members.

As previously reported, Brigadier General W. Preston Gilbride resigned as a Director of the Corporation in September 1979 for personal reasons. General Gilbride had served as a Director since 1975. The Corporation is grateful to General Gilbride for his service to the Corporation during the years that he was a Director.

COMMITTEES OF THE BOARD

The Board of Directors has appointed two standing Committees, the Audit Committee and the Pension and Compensation Committee, but has not elected an Executive Committee nor appointed a Nominating Committee. A brief description of the respective duties of these two Committees follows:

The Audit Committee

The Audit Committee is composed of three Directors, none of whom is an officer of the Corporation. The Audit Committee reviews the Corporation's financial controls and the objectivity of its financial reporting. It meets with the Corporation's independent auditors, internal auditors and financial personnel in connection with these reviews and recommends to the Board independent auditors to be appointed by the shareholders. This Committee held three meetings in 1980. Present members are: Noah Torno (Chairman), George C. Solomon and Louise B. Vaillancourt.

Pension and Compensation Committee

The Pension and Compensation Committee is composed of three Directors, two of whom are officers of the Corporation. The Committee approves the compensation of management employees and makes recommendations to the Board with respect to compensation of officers of the Corporation and its subsidiaries. The Committee also supervises the administration of all pension plans in effect for employees of the Corporation and its subsidiaries. This Committee held four meetings in 1980. Present members are: John C. Lockwood (Chairman), S. Roderick McInnes and Noah Torno.

REMUNERATION OF DIRECTORS AND OFFICERS

Members of the Board of Directors who are not employees of the Corporation or its affiliates receive a retainer at an annual rate of $6,000 and a fee of $300 for attendance at each meeting of the Board of Directors and of the standing Committees of which they are members. Directors who are employees of the Corporation or its affiliates do not receive such retainers or fees.

The information set forth below is given for the year ended March 31, 1980 with respect to the aggregate remuneration directly or indirectly paid by the Corporation or its subsidiaries to (i) each of the five most highly compensated executive officers or Directors whose total remuneration exceeded $50,000 and to (ii) all officers and Directors as a group for services in all capacities to the Corporation and its subsidiaries during the year ended March 31, 1980.

Name of Individual or Number of Persons in Group	Capacities in which Remuneration was Received	Cash and Cash Equivalent forms of Remuneration—Salaries, Fees, Directors' Fees, Commissions and Bonuses*
John C. Lockwood	As Chairman of the Board of Directors of the Corporation.	$ 51,404
S. Roderick McInnes	As President and Chief Executive Officer of the Corporation.	$143,424
Ralph L. Beatty	As Executive Vice President Finance of the Corporation.	$105,176

Name of Individual or Number of Persons in Group	Capacities in which Remuneration was Received	Cash and Cash Equivalent forms of Remuneration—Salaries, Fees, Directors' Fees, Commissions and Bonuses*
Noah Torno	As Consultant to Jordan Valley Wines Limited and as Director of the Corporation.	$ 85,800
J. Anthony Gauntley	As Vice President International of the Corporation.	$ 63,389
All Directors and officers as a group (including five named above—16 persons)	As Directors, as Directors and officers and as officers.	$641,193

*The amounts shown do not include contributions to or estimated benefits from the Corporation's Pension Plan in effect for all salaried employees. The amount of such contributions cannot readily be separated or individually calculated by the regular actuaries for such Plan. Contributions by the Corporation to the non-contributory portion of the Pension Plan paid or accrued for the fiscal year ended March 31, 1980 were approximately 8% of the direct remuneration of all Pension Plan participants and contributions by the Corporation on account of the voluntary portion of the Pension Plan paid or accrued for the fiscal year ended March 31, 1980 were approximately 3% of the direct remuneration of all Pension Plan participants.

The Corporation's Pension Plan is non-contributory and applies to all salaried employees who meet certain minimum eligibility requirements. Employees may also make voluntary contributions to the Corporation's Pension Plan. Benefits payable to participants in the Pension Plan are determined on a career average basis with periodic updating and are based upon the direct remuneration of each participant. The table below illustrates the Estimated Annual Benefits Payable upon Retirement to Pension Plan participants for certain specified remuneration and years of service classifications:

Estimated Annual Benefits Payable Upon Retirement

	Years of Service			
Annual Salary—1980	10 years	20 years	30 years	40 years
$ 60,000	$ 6,273	$12,546	$18,819	$25,092
$ 90,000	$ 9,573	$19,146	$28,719	$38,292
$120,000	$12,873	$25,746	$38,619	$51,492
$150,000	$16,173	$32,346	$48,519	$60,000

The foregoing estimates do not include provision for periodic updating and additional pension benefits available to an employee who makes voluntary contributions to the Pension Plan.

TRANSACTIONS WITH MANAGEMENT

Mr. Black is President and a Director of Western Dominion Investment Company Limited, a division of which is Dominion Malting ("Dominion"). During the last fiscal year, Carling O'Keefe Breweries of Canada Limited purchased malt from Dominion. These purchases were made at prevailing market prices and Carling O'Keefe Breweries of Canada Limited expects to make comparable purchases of malt during the current fiscal year. The purchases represented less than 2.5% of the Corporation's consolidated sales.

Mr. Burr is a Director of Bass Limited. Bass Limited manufactures Carling Black Label pursuant to a licensing agreement and made royalty payments to a subsidiary of the Corporation on account of sales of Carling Black Label in the United Kingdom and certain countries of Europe and the Middle East. Subsidiaries of the Corporation manufacture certain products of Bass Limited pursuant to a licensing agreement and made royalty payments to Bass Limited on account of sales of those products in Canada and Ireland. Royalty payments pursuant to both of these licensing agreements are expected to continue in the current fiscal year.

The Honourable J. Lesage is a senior partner of Lesage, Paquet & Lesage, a law firm which subsidiaries of the Corporation have retained in the last fiscal year and may retain as required in the current fiscal year. The total amount of fees paid by the Corporation and its subsidiaries to Lesage, Paquet & Lesage for professional services in the last fiscal year was $9,779.

The Corporation has entered into a consulting agreement with Mr. Lockwood pursuant to which he will provide consulting services to the Corporation following his retirement as Chairman of the Board. The annual remuneration for these services of $25,000 continues during the remainder of his lifetime. One-half of this sum is payable to Mr. Lockwood's surviving spouse during her lifetime should Mr. Lockwood predecease her.

In January 1979 the Corporation entered into an agreement with Mr. McInnes which, in the event of his death prior to retirement, would provide for payments of $48,000 per annum for ten years to his beneficiary, and in the event of his retirement, would provide these payments to him for his lifetime or a minimum of ten years. The agreement also provides for payments of $1,700 per month to be made to him in the event that he should become disabled.

Mr. Svanholm is a Director of The United Breweries Limited. Pursuant to a licensing agreement made in 1972, the Corporation and its affiliates have access to the brewing research and technical knowledge of The United Breweries Limited together with the exclusive right to manufacture and sell brewery products bearing the Carlsberg and Tuborg trade marks in Canada and the Republic of Ireland. Royalties are payable based on total sales of all brewery products at rates varying with the volumes and selling prices of the products. Royalty payments were made pursuant to this agreement during the last fiscal year and are expected to continue in the current fiscal year.

Mr. Torno and a member of his family hold the 8.1% minority interest in the Corporation's subsidiary, Jordan Valley Wines Limited ("Jordan"). When the Corporation acquired its majority interest in Jordan in 1972 from a party unaffiliated with Mr. Torno or his family, it became committed to acquire this minority interest during the 1979 fiscal year, but in consideration of payment of $600,000 to the minority shareholders the acquisition was postponed to the 1982 fiscal year. The purchase price will be based on earnings of Jordan but in no event will be less than $2,993,000. Jordan has also entered into a consulting agreement with Mr. Torno pursuant to which he will provide consulting services to Jordan at an annual remuneration of $75,000 until the end of the 1981 fiscal year and $50,000 per annum thereafter during the balance of his lifetime. The Corporation has guaranteed these payments to be made by Jordan to Mr. Torno.

In the opinion of management the foregoing arrangements are as reasonable as those which would have resulted from negotiations between the Corporation and unaffiliated third parties.

The Corporation and its subsidiaries and affiliates have normal banking transactions in the ordinary course of business with several banks. Included among the banks in these transactions are Bank of Montreal (of which Sir David Nicolson and Messrs. Devlin and Solomon are Directors) and Banque Nationale du Canada (of which Mrs. Vaillancourt is a Director).

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The following table sets forth the security ownership of certain beneficial owners of more than 5% of the outstanding common shares of the Corporation as at May 28, 1980.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common shares	*Rupert Foundation Soc. An. 11 Boulevard du Prince Henri, Luxembourg	10,907,487 Rothmans Investments Limited—owner of record	50.1%

*Rothmans Investments Limited, the owner of record of the above shares, is a wholly owned subsidiary of Rothmans of Pall Mall Canada Limited, a majority of the shares of which is indirectly beneficially owned by Rothmans International Limited, Hill Street, London, United Kingdom, a publicly quoted United Kingdom company. By virtue of its indirect ownership of a substantial number of shares of Rothmans International Limited, Rupert Foundation Soc. An., pursuant to certain provisions of the Securities Exchange Act of 1934 of the United States, is deemed to be the beneficial owner of the above shares.

The following table sets forth the equity shares of the Corporation beneficially owned directly or indirectly or over which control or direction is exercised by management as at May 28, 1980.

Name	Title of Class	Amount and Nature of Beneficial Ownership or Control	Percent of Class
Conrad M. Black, Director	Common Shares	250 Direct ownership	—
John P. U. Burr, Director	Common Shares	232,345 Indirect ownership*	1.07%
John H. Devlin Director	Common Shares	100 Direct ownership	—
The Honourable Jean Lesage, Director	Common Shares	3,000 Direct ownership	.01%

Name	Title of Class	Amount and Nature of Beneficial Ownership or Control	Percent of Class
John C. Lockwood, Director	Common Shares	1,000 Direct ownership	—
George C. Solomon, Director	Common Shares	1,600 Direct ownership	.01%
Noah Torno, Director	Common Shares	1,000 Direct ownership	—
Louise B. Vaillancourt, Director	Common Shares	100 Direct ownership	—
Directors and officers as a group	Common Shares	239,420 { 232,345 Indirect* / 7,075 Direct	1.10%

*All of these shares are owned of record by Bass Limited of which Mr. Burr is a Director and he specifically disclaims beneficial ownership of these shares. The information as to shares beneficially owned, not being within the knowledge of the Corporation, has been furnished by the respective Directors and management individually.

APPOINTMENT OF AUDITORS

Price Waterhouse & Co. have been the Corporation's auditors since 1969 and have been nominated for reappointment to hold office for the current year. Management of the Corporation recommends that you vote FOR the appointment of Price Waterhouse & Co. as auditors for the current year. During the 1980 fiscal year of the Corporation, Price Waterhouse & Co.'s audit services included examination of the consolidated financial statements of the Corporation, examination of the financial statements of certain of the Corporation's subsidiaries and review of financial and related information included in certain annual reports filed by the Corporation with the Securities and Exchange Commission.

During the 1980 fiscal year of the Corporation, Price Waterhouse & Co. performed certain non-audit services for the Corporation. Fees for such non-audit services represented approximately 22% of Price Waterhouse & Co.'s fees for audit services in the 1980 fiscal year of the Corporation. These non-audit services consisted primarily of tax related matters including preparation, review and consultation relating to the Corporation's tax returns, tax planning concerning corporate reorganizations, executive recruitment services and general advice. Each individual matter was less than 3% of audit fees with the exception of two tax planning matters concerning corporate reorganizations which comprised approximately 9% of audit fees. The Audit Committee of the Board of Directors did not review each non-audit service provided by Price Waterhouse & Co. prior to such service being provided but in the opinion of the Audit Committee the performance of such non-audit services did not affect the independence of Price Waterhouse & Co.

A representative of Price Waterhouse & Co. is expected to be present at the Meeting with an opportunity to make a statement if he or she desires and to answer questions.

SHAREHOLDER PROPOSALS

A proposal submitted by a shareholder for the 1981 annual meeting of shareholders must be received by the Secretary, Carling O'Keefe Limited, 79 St. Clair Avenue East, Toronto, Ontario M4T 1M6 by February 27, 1981, in order to be eligible to be included, if appropriate, in the Corporation's Proxy Statement for that Meeting.

PROXY SOLICITATION

The enclosed proxy is solicited by the management of the Corporation and the costs thereof will be borne by the Corporation. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular employees of the Corporation. Arrangements may be made with brokers and other custodians, nominees and fiduciaries to forward solicitation material to the beneficial owners of the shares held of record, and the Corporation may reimburse them for reasonable out-of-pocket expenses incurred.

GENERAL

As far as is known or has been determined, no business other than the matters referred to will come before the Meeting. However, if any other matters which are not known to the management should properly come before the Meeting, the accompanying proxy will be voted in the discretion of the person or persons voting such proxy.

By Order of the Board of Directors.

PETER JOHN YOUNG,
Vice President Legal and Secretary.

Dated as of May 28, 1980.

CARLING O'KEEFE LIMITED
ANNUAL REPORT 1980

SUMMARY OF OPERATIONS

	1980	1979
BEER		
Sales hectolitres	5,178,000	4,769,000
Sales value	$432,546,000	$360,593,000
WINE		
Sales litres	20,942,000	21,581,000
Sales value	$ 35,873,000	$ 33,525,000
OIL AND GAS		
Sales—Gas ($10^3 m^3$)	141,000	118,000
—Oil and other (m^3)	82,000	78,000
Sales value	$ 9,640,000	$ 7,155,000
CONSOLIDATED		
Sales value	$478,059,000	$401,273,000
Earnings from operations	$ 17,338,000	$ 13,612,000
Earnings from operations per common share	70¢	53¢
Dividends per common share	10¢	5¢

CONTENTS

VERSION FRANÇAISE

Si vous désirez une version française de ce rapport, veuillez en faire la demande par écrit au:

Vice-président juridique et secrétaire
Carling O'Keefe Limitée
79 St. Clair Avenue East, Toronto, Canada M4T 1M6

FORM 10-K:

Carling O'Keefe Limited common shares are traded on The New York Stock Exchange and the Company therefore files an annual report on Form 10-K with the Securities and Exchange Commission in Washington, D.C. Shareholders may obtain a copy of this report by writing to the Vice President Legal and Secretary of the Company.

Report to the Shareholders

The 1979/80 fiscal year was one of continued progress for Carling O'Keefe Limited as sales, production efficiency and earnings all increased over the previous year.

Consolidated earnings from operations for the year were $17,338,000 or 70¢ per common share compared to $13,612,000 or 53¢ per common share for the year ended March 31, 1979.

In 1979 an extraordinary gain on the sale of the surplus winery in Victoria, British Columbia of $322,000 increased earnings to $13,934,000 or 54¢ per common share.

On April 29, 1980 the Company announced that it had finalized an agreement to sell effective March 31, 1980 the Carling Black Label and Red Cap trade marks for southern Africa subject to governmental approvals. These approvals have not yet been received and therefore the extraordinary gain on the sale of the trade marks of $10,500,000 or 48¢ per common share has not been recorded in the Company's results for the year ended March 31, 1980.

In the 1979 Annual Report to Shareholders it was stated that one of the objectives of the Board of Directors was to gradually increase dividends as earnings and other cash requirements permitted until the rate of payment was in line with other publicly held companies in Canada. In May 1980 the Directors concluded that the financial condition of the Company was such that an increase in dividends was warranted and

CONSOLIDATED RESULTS

FINANCIAL YEARS ENDED	MARCH 31 1980	MARCH 31 1979	% INCREASE
Sales	$478,059,000	$401,273,000	19.1
Earnings before extraordinary item	$ 17,338,000	$ 13,612,000	27.4
Earnings after extraordinary item	$ 17,338,000	$ 13,934,000	24.4
Earnings per common share for the year			
Before extraordinary item	70¢	53¢	32.1
After extraordinary item	70¢	54¢	29.6
Dividends per common share	10¢	5¢	100.0

accordingly the dividend per common share was increased from an annual rate of 10¢ to 20¢ effective with the July 1, 1980 payment. The Directors will continue to review the dividend policy on a regular basis in the future.

Carling O'Keefe Breweries of Canada Limited continued to be the major segment of the Company's operations providing 82% of gross sales revenue, and 73% of operating earnings before interest and income taxes. The company had another satisfactory year reporting increased sales volume, sales revenue, market share and earnings, despite intense competition and very significant pressures from cost increases. A new brand, Rallye, was introduced in the Province of Quebec in November 1979, and while it is early in its development, initial results are encouraging.

The situation with regard to the responsibility for regulating the brewing industry in Canada became somewhat confused during the year because the Supreme Court of Canada ruled that certain federal regulations related to the brewing industry were invalid, and that such matters only could be dealt with by provincial regulations. This left a vacuum where no provincial regulations were in existence and is causing some uncertainty in the industry until the matter is resolved.

It is not practical to measure the growth of the Canadian brewing industry for fiscal 1980 because the major work stoppages that occurred during the previous year in Western Canada render total volume comparisons invalid. However, in provinces where such comparisons have some validity, the slow growth patterns of the industry continue and any major sales increases for the company will have to come from the market share of the competitors.

In the coming year the company will continue to effectively support its brands in all provinces with particular emphasis on Ontario, which remains the problem market for the company.

Jordan Valley Wines Limited had another difficult year although earnings were approximately as projected. The trend in sales in the domestic wine industry from low priced high alcohol, sparkling and crackling rosé wines to table wines continues, but unfortunately this change significantly lowers the profitability of the entire industry. It is also in this segment where imported wines have made their greatest inroads. However, with a significant rate of growth continuing in the total wine market, the opportunity exists to increase sales and earnings.

The current excess supply of natural gas productive capacity in Canada makes it difficult for Star Oil & Gas Ltd. to bring its newly discovered gas reserves on to production. Despite this problem Star was able to significantly increase the sale of natural gas during the year by maximizing production under existing contracts and by bringing certain new production on stream. The company continued its programme of exploration and development during the year and as a result proved and probable reserves of natural gas and oil at March 31, 1980 had increased despite the higher production during the year. Although these reserves cannot always be put on production immediately, and thereby improve earnings, the value of the company does continue to grow.

During the year considerable interest was expressed by many Shareholders and other interested parties in Star Oil & Gas Ltd. To help to answer many of these questions the information provided in this year's Annual Report related to the oil and gas subsidiary has been considerably expanded and includes a map showing the areas of the company's activities in Western Canada. However, we would caution the reader of this report that the oil and gas industry in Canada is highly sensitive to government regulations and at the present time the immediate future of the industry in Canada is particularly dependent upon two governmental

decisions which are outstanding. One is related to the export of natural gas and the second to the price that the producer will receive for oil and gas production. The information which has been provided on Star should be read in conjunction with these decisions when they are announced.

Management believes that the oil and gas industry is an attractive diversification for Carling O'Keefe Limited. The company is presently negotiating a modest joint venture arrangement for exploration in Western Canada, and additional funds will continue to be invested in this industry in the future.

Beamish & Crawford Limited, your Company's Irish brewing subsidiary, made steady progress during the past year. Sales volume growth was lower than industry average as conditions during the early part of the fiscal year were not conducive to the sale of the company's products. However, higher selling prices helped to offset higher costs and earnings increased before the foreign exchange adjustment. The value of the Irish currency in Canadian dollars fluctuated considerably during the year and had a significantly adverse effect in the last quarter.

Board of Directors

On September 27, 1979 Brigadier General W. Preston Gilbride, who had been a Director since July 15, 1975, resigned from the Board of Directors for personal reasons, and the Board wishes to thank him for his service to the Company during the years he was a Director. Mr. John H. Devlin, Chairman of the Board of Directors of Rothmans of Pall Mall Canada Limited, was appointed to replace General Gilbride.

Outlook

Management intends to continue its previously reported policy of providing a steady growth in earnings and dividends while investing sufficient funds in production facilities and marketing to ensure the long term success of the Company.

The achievement of the Canadian brewing company in increasing sales in several provinces of Canada has resulted in problems of providing sufficient capacity to meet peak sales months. A review of future sales forecasts for these provinces indicates that substantial capital investment will be required over the next five years to ensure that adequate production capacity is available. A major portion of the capital requirements will have to be met from internally generated cash flow. In fiscal 1981 it is anticipated that capital expenditures will approximate $30,000,000 reflecting increased expenditure for expansion of facilities in the Canadian brewing company.

Although problems still exist, particularly in the intensely competitive beer and wine businesses in Canada, management is of the opinion that considerable improvements have been made in the past few years, particularly in the areas of strengthening the management of the Company and its subsidiaries and that based on these improvements continued progress can be anticipated.

Appreciation

On behalf of the Board of Directors we would like to thank our 3,500 employees in Canada and Ireland for their hard work and loyalty during the past year. Without their efforts the progress which has been made would not have been possible.

We would also like to express our gratitude to our 27,700 Shareholders, of whom 22,600 are Canadian, for their continued support.

J. C. LOCKWOOD	S. R. MCINNES
Chairman of the Board	*President and Chief Executive Officer*

May 30, 1980

Review of Operations

Brewing Operations—Canada

Carling O'Keefe Breweries of Canada Limited recorded substantial gains in sales and earnings for the fiscal year ended March 31, 1980 compared with those of the prior year. In comparing the two years, it should be borne in mind that the 1979 results were depressed by the effect of lengthy work stoppages caused by labour disputes in three provinces of Western Canada. The company's gain in volume of 9% in the current year exceeded the 7.3% increase in total industry sales for the same period reflecting an increase in the company's share of the Canadian beer market.

BREWING OPERATIONS—CANADA

FINANCIAL YEARS ENDED	MARCH 31 1980	MARCH 31 1979	% INCREASE
Sales—hectolitres	4,940,000	4,534,000	9.0
Sales	$393,281,000	$329,074,000	19.5
Earnings before interest and income taxes	$ 20,834,000	$ 12,952,000	60.9
Earnings—per hectolitre	$4.22	$2.86	47.6

Improved market shares were achieved in British Columbia, Alberta, Manitoba, Newfoundland and Quebec, where O'Keefe Ale is now the largest selling brand. Company share in Saskatchewan showed a marginal reduction from the prior year level primarily due to a market distortion in 1979 caused by work stoppages in the adjacent provinces. The Ontario market continues to be a major problem for the company with market share and volume down from the prior year.

The increase in sales revenue over 1979 was due to the combined effect of increased volume and the timely implementation of authorized price increases designed to offset significant inflationary pressures affecting virtually every element of production cost and operating expense.

Costs of raw materials and manufacturing increased by 21% from the previous year, partly due to the volume growth but also including an 11% increase in per unit cost due to inflation. The Canadian Wheat Board has tied the price of malt to world export prices and this has resulted in a 40% increase in the unit cost of this major ingredient over the year. Other raw material and manufacturing cost and expense increases were generally in line with the increase in the rate of inflation.

Growth in the Canadian beer industry remains in the region of 1.5% annually and the very keen competition which results from this relatively flat industry position necessitated an increase in marketing spending over the prior year. A further factor in the marketing costs was the November 1979 launch of Rallye in the Quebec market.

Le Club de Hockey Les Nordiques was successful in obtaining a National Hockey League franchise and completed its first NHL season with capacity crowds attending each of the home games. The Toronto Argonaut Football Club completed its first year of operation under the full ownership of the company, and the results were disappointing. Strategies designed to improve the performance of the football team are being implemented.

On May 5, 1980, the company announced a major expansion of its Saskatoon plant and the consolidation of all Saskatchewan production at this location. This will result in cost savings due to economies of scale and improved operating efficiencies.

Almost all of the company's labour contracts expired in the period from December 31, 1979 to April 30, 1980. Several contract settlements have already been negotiated and the process of renewing the other agreements is continuing. It is anticipated that fair and equitable settlements can be reached without work stoppages.

Wine Operations

The total wine market in Canada continued its strong growth during the year with an increase in volume of approximately 5% over the pre-

vious year. For the first time in several years the share held by Canadian products increased, reaching approximately 45% of the total market. This change in trend was no doubt due in part to increased selling prices for imported products as a result of currency fluctuations. However, it is also apparent that a growing number of Canadians are trying domestically produced table wines and finding their quality quite acceptable.

The previously reported sales trends in the domestic wine industry continued during the year. Sales of low priced high alcohol wines, sparkling and crackling rosé wines declined as a share of industry while sales of table wines, and in particular white table wines showed dramatic increases. These sales trends however have an adverse effect on industry profitability as the table wines provide a lower profit margin to the producer than the other products.

Sales volume of Jordan Valley Wines Limited declined during the year by 3%.

Sales volume in Ontario was strongly ahead of last year, but did not offset the impact of sales volume declines in Quebec and British Columbia. During the year, increased quantities of wine were sold through grocery stores in Quebec but Jordan is excluded from these outlets as it does not own a winery in the province. The lower sales in British Columbia were the result of a market shift to imported wines coupled with a share erosion in several low priced table and sparkling wines and a strike at the Surrey winery in March 1980.

WINE OPERATIONS

FINANCIAL YEARS ENDED	MARCH 31 1980	MARCH 31 1979	% INCREASE (DECREASE)
Sales—litres	20,942,000	21,581,000	(3.0)
Sales	$35,873,000	$33,525,000	7.0
*Earnings before interest and income taxes	$ 1,434,000	$ 2,166,000	(33.8)
*Earnings—per litre	$0.07	$0.10	(30.0)

*Carling O'Keefe Limited share

The Canadian wine industry became increasingly competitive during the year as all companies involved introduced new products and increased media marketing spending in an attempt to increase share of the rapidly growing table wine segment of the market. During the year Jordan Valley Wines Limited launched three premium wines in Ontario all of which met with critical acclaim. Significant increases occurred in selling and marketing costs to support the growing brands of Spumante Bambino, Toscano and the exclusive 4 litre barrel cask in the key market of Ontario.

Sales revenue increased by 7% over the prior year due to a combination of price increases and a trend to higher valued products. These price increases, however, were not sufficient to offset the increases in costs of raw materials, manufacturing overheads, distribution and marketing costs, and as a result the company reported lower earnings than for the previous year.

The retail store division received a set back in April 1979 when the Ontario Government reinstated a supplemental 10% sales tax on winery store sales. This severely restricted retail store earnings and as a result the number of company stores was held at twenty eight.

During the year the programme to modernize and upgrade the St. Catharines winery continued, with the major item being the installation of a new bottling line. This line will increase production efficiency and will provide the capability to produce a variety of packages to help to maintain the company's competitive position in the market place.

Oil and Gas Operations

Star Oil & Gas Ltd. had a successful year with significant increases in production, net sales and income before interest and income taxes. The company maintained an active drilling programme with emphasis on the development of additional production of both oil and natural gas. The acquisition of potential oil and gas lands was reduced from last year as funds were directed to the increased development programme.

DRILLING ACTIVITY	1980 WORKING INTEREST WELLS Total	1980 WORKING INTEREST WELLS Star Share	1980 ROYALTY INTEREST Wells*	1979 WORKING INTEREST WELLS Total	1979 WORKING INTEREST WELLS Star Share	1979 ROYALTY INTEREST Wells*
CANADA						
Gas	9	3.8	14	25	9.2	5
Oil	14	6.6	2	19	7.7	1
Dual zone gas and oil	1	0.5	—	—	—	—
Dry and abandoned	14	2.9	5	16	6.6	8
	38	13.8	21	60	23.5	14
SUFFIELD "C" BLOCK						
Gas	6	0.2				
Oil	4	0.1				
Dual zone gas and oil	2	0.1				
Dry and abandoned	27	0.6				
	39	1.0				
UNITED STATES						
Gas	15	1.3	—	4	0.5	—
Oil	3	0.3	1	3	0.4	—
Dry and abandoned	6	0.6	1	12	2.3	—
	24	2.2	2	19	3.2	—

*Drilled at no cost to Star under agreements with other companies.

During the year, the oil and gas industry changed from the Imperial system of measurement to the Metric, or S.I., system and for the convenience of the readers, the following table of conversion factors is supplied:

1 cubic meter (liquid)	= 6.29 barrels
1 cubic meter (gas)	= 35.49 cubic feet
1 hectare	= 2.47 acres

As a result of the drilling programme in Canada, the company developed additional natural gas production at Opal-Redwater in Alberta and Dahl in British Columbia and new oil reserves and production at Mitsue and Utikuma in Alberta and at Parkman in Saskatchewan. In addition, new gas reserves were established at Pouce Coupe and Gilby in Alberta and at Sierra in British Columbia. In the United States, new gas reserves and production were developed in Kansas, Oklahoma, Texas and Pennsylvania.

The company has a 5% interest in a group of companies which has undertaken a farmout from the Alberta Energy Company on 88,080 acres in the Suffield Military Block in Alberta, designated the Suffield "C" Block. The group will earn a 50% interest in all zones below the shallow gas zones by doing 200 miles of geophysical work and drilling 67 wells to various depths. At year end, 140 miles of geophysical work has been completed and 39 wells drilled.

The entire programme is scheduled to be completed by June 1980 at which time the Alberta Energy Company will become the operator and a complete evaluation of all potential producing wells will be undertaken.

The results of the year's activity on gross proved and probable reserves prior to royalties as established by McDaniel Consultants (1965) Ltd., an independent engineering company specializing in oil and gas evaluations, are shown on Page 9.

OIL AND GAS OPERATIONS

FINANCIAL YEARS ENDED	MARCH 31 1980	MARCH 31 1979	% INCREASE
Sales—Gas (10^3m^3)	141,000	118,000	19.5
—Oil and other (m^3)	82,000	78,000	5.1
Sales	$9,640,000	$7,155,000	34.7
Earnings before interest and income taxes	$4,720,000	$3,816,000	23.7

In Western Canada, Star acquired an interest in 54,498 gross hectares of potential oil and gas lands through purchases at Crown petroleum and natural gas rights sales.

As at March 31, 1980 Star held an interest in gross and net hectares as follows:

	PROVED		UNPROVED	
CANADA	GROSS	NET	GROSS	NET
Saskatchewan	28,470	9,799	34,307	18,066
Alberta	29,724	10,870	167,995	53,358
British Columbia	1,886	626	36,585	10,674
U.S.A.	5,338	706	8,385	1,627
AUSTRALIA OFFSHORE	—	—	2,012,142	281,700

In addition, Star has a royalty interest in the following:

Canada	Gross Hectares	Gross Overriding Royalty Interest
East Coast Offshore	147,522	3.0%
Arctic Islands	191,932	2.5%

During the coming year, the company will place new gas reserves on production at Heart Lake in Alberta and at Rigel and Yoyo-Sierra in British Columbia. These additions should increase the company's gas sales in the coming year.

Oil production should increase due to new production at Mitsue, Utikuma and Esther in Alberta and Parkman in Saskatchewan.

The company now has an interest in 19 gas wells and 7 oil wells in the United States. All of these wells should be on production by the end of the first quarter of the current year.

Star has several areas with shut-in gas reserves which are under contract to Pan-Alberta Gas. These reserves will go on production when Pan-Alberta receives final approval of its gas export applications and construction of the new pipeline facilities in the United States, the so-called 'prebuild' portion of the Alaska Highway Gas pipeline, is completed. The chances for approval for this project appear to be favourable and if granted by the Federal Government this year, two areas with shut-in reserves could be on production by mid-1981 and the remainder by mid-1982.

The company has a 14% interest in two permits offshore Western Australia which total 2,012,142 hectares. The geophysical programme on the permits has been completed and several interesting features have been identified on the largest of the permits. In particular, at the north end of the permit a complex structure has been identified which has been called Tantabiddi. This structure has had considerable detailed geophysical work and appears to be favourable for the drilling of an exploration well to test the possibility that it may contain hydrocarbons.

Although activity in the oil and gas industry remains at a very high level, there are two very important decisions which have to be made in the near future by the various levels of government if the activity is to be maintained. The price that the producer will receive for oil and natural gas must be settled and the final decision on the construction of the Alaska Highway Gas pipeline and the prebuild southern portion of the line must be made to ensure the export of currently shut-in gas reserves. With the cost of finding and producing oil and natural gas escalating dramatically, it is imperative that the producer receive sufficient additional revenue so that funds will be available to maintain and hopefully improve Canadian production and reserves of hydrocarbons. Assuming that agreements between the various levels of government and between government and industry regarding pricing and export of natural gas are satisfactory Star plans to increase its acquisition of potential oil and gas rights and drilling activity in Canada, with special emphasis on oil. In the United States the company will continue its efforts to increase production of both oil and natural gas.

Supplementary Information on Oil and Gas Operations

(unaudited)

The aggregate capitalized costs and accumulated depletion and depreciation related to oil and gas properties were:

($000's)	1980	1979
Developed and undeveloped	$44,489	$36,469
Administrative	5,420	5,010
Production equipment	7,765	4,292
	57,674	45,771
Less accumulated depletion and depreciation	9,248	7,256
	$48,426	$38,515

Costs incurred in oil and gas activities:

($000's)	1980	1979
Capitalized:		
Property acquisition costs	$ 1,964	$ 3,922
Exploration costs	3,482	4,787
Development costs	2,916	3,395
Administrative costs	410	312
Production equipment	3,155	1,891
	$11,927	$14,307
Expensed:		
Production (lifting) costs	$ 2,282	$ 1,464

Revenues from oil and gas properties, net of royalties and production costs, were $7,358,000 (1979—$5,691,000). The average gross price before deducting royalties was $81.76 per m^3 for oil and $54.44 per 10^3m^3 for natural gas (1979—$72.13 and $48.60 respectively). Production costs were $19.02 per m^3 for oil and $6.17 per 10^3m^3 for natural gas (1979—$12.46 and $4.05 respectively).

Estimated proved developed and undeveloped and probable reserves, before deduction of royalties:

	1980		1979	
	Natural Gas	Crude Oil & Natural Gas Liquids	Natural Gas	Crude Oil & Natural Gas Liquids
	(10^6m^3)	(10^3m^3)	(10^6m^3)	(10^3m^3)
Proved developed and undeveloped reserves at April 1	5,305	1,012	4,995	1,001
Additions	421	72	428	89
Revisions of estimates	(430)	(23)	—	—
Production	(141)	(82)	(118)	(78)
Proved developed and undeveloped reserves at March 31	5,155	979	5,305	1,012
Probable reserves at March 31	445	475	189	399
Proved and probable reserves	5,600	1,454	5,494	1,411
Proved developed reserves at March 31	3,071	979	3,221	1,012

Estimates of proved developed reserves are considered to be those reserves which to a high degree of certainty are recoverable at commercial rates under present depletion methods and current operating conditions, prices and costs. Estimates of proved undeveloped reserves include only those reserves which are expected to be recovered on undrilled acreage from new wells which are virtually certain of production when drilled. Estimated probable oil reserves are considered to be those reserves commercially recoverable as a result of the beneficial effects in the future of some enhanced recovery scheme or as a result of more favourable performance of the existing recovery mechanism. Estimated probable natural gas reserves are based on potentially productive areas of the natural gas reservoirs in question and reserves which may be derived from the more favourable performance of individual wells.

Brewing Operations—Ireland

Beamish & Crawford Limited had a satisfactory year with increased sales volume, sales revenue and earnings before the foreign exchange adjustment on translation of the operating results to Canadian dollars.

Industry sales volume increased by 3.7% over the previous year and stout maintained an unusually high share of the market, particularly in the early months of the fiscal year. Unseasonably cool summer weather, together with gasoline shortages and communication disruptions which adversely affected the important tourist trade, delayed the usual seasonal swing to ale and lager products. As a result the company's sales volume, which is almost entirely in the ale and lager segments of the market, increased by only 1.3% over the prior year. The brewing industry received two price increases during the year, one in September 1979 and one for bottled products only in January 1980. These increases, together with the effect of the passing on to the consumer of the substantial excise tax increase in February, resulted in increased sales revenues. The selling price increases offset to a major extent, the significant increases which occurred in operating costs particularly those related to salaries, wages and energy.

The company maintained marketing support levels for its products during the year and in May 1979 opened a new sales office in Dublin to provide additional marketing support in this important market.

During the year a new kegging line was installed. This line will improve product quality and production efficiency and will be an extremely important addition in a market in which in excess of 80% of the sales volume is draught beer.

BREWING OPERATIONS—IRELAND

FINANCIAL YEARS ENDED	MARCH 31 1980	MARCH 31 1979	% INCREASE (DECREASE)
Sales—hectolitres	238,000	235,000	1.3
Sales	$39,265,000	$31,519,000	24.6
Earnings before interest, foreign exchange and income taxes	$ 2,072,000	$ 1,776,000	16.7
Foreign exchange gain (loss)	$ (412,000)	$ 758,000	—
Earnings before interest and income taxes	$ 1,660,000	$ 2,534,000	(34.5)
Earnings—per hectolitre	$6.97	$10.78	(35.3)

The decline in the value of the Irish punt relative to the Canadian dollar in the final months of the fiscal year resulted in an exchange loss on the translation of the financial statements to Canadian dollars and as a result earnings in Canadian dollars declined from the previous year.

International Division

Royalty income from the sale of Carling Black Label in overseas markets where it is produced under license continued to increase during the year. Total royalty income from this source amounted to $3,696,000, an increase of approximately 17% over the previous year. Of this amount $2,392,000 resulted from sales in southern Africa. The increase reflected higher royalty rates, which increase in line with selling prices, and improved exchange factors when local currencies were converted to Canadian dollars. Volume increased by approximately 6% over the prior year.

In the fall of 1979 a reorganization occurred in the alcoholic beverage industry in southern Africa which resulted in a virtual monopoly in the brewing industry. After a review of the situation the Directors concluded that a sale of the Carling Black Label and Red Cap trade marks for this area was in the best interest of the Company and its Shareholders, and on April 29, 1980 it was announced that the Company had finalized a sale agreement for the trade marks effective March 31, 1980 subject to governmental approvals. The trade mark rights for these brands in certain countries in southern Africa, primarily for the Republic of South Africa, were sold to Southern Investments NV. The rights for certain other countries in southern Africa, primarily Zimbabwe, were sold to Linser NV. Both of these sales were arms length transactions. Total consideration amounted to Rand 14,500,000 which will be received over a four year period in United States dollars subject to reduction should certain objectives not be achieved. As security for the receipt of these amounts, irrevocable letters of credit for the total amount were received from the North Carolina National Bank. The governmental approvals have not yet been received, accordingly the extraordinary gain arising on the sale of the trade marks has not been recorded.

Financial Position

At March 31, 1980 consolidated working capital was $39,435,000, a decrease of $1,032,000 from the working capital position at March 31, 1979. The ratio of current assets to current liabilities was 1.6:1 compared to 1.8:1 at March 31, 1979.

In 1980 the primary sources of working capital were $31,061,000 in funds from operations and the classification of a mortgage receivable as current. In 1979 the sources of working capital included $27,119,000 in funds from operations and the proceeds on the sale of a winery.

Capital expenditures for the current year were $25,391,000 compared to $26,533,000 for 1979. In 1980 $11,927,000 was expended on acquisition of petroleum and natural gas rights, exploratory and development drilling and on production equipment compared to $14,307,000 last year. Greater emphasis was placed on programmes to bring additional production on-stream than in previous years. Expenditures in the Canadian brewing operations amounted to $9,857,000 (1979—$9,262,000) which included expansion programmes in Montreal, Quebec and St. John's, Newfoundland in both years, and an upgrading of production facilities at the other breweries.

The cost of the National Hockey League franchise in Quebec City was $6,937,000 in 1980. In the previous year the majority interest in The Toronto Argonaut Football Club was acquired for $4,268,000. Other disbursements of funds related to the repayment of long term debt and the payment of dividends.

QUARTERLY FINANCIAL DATA

(in thousands of dollars)

	Quarter Ended			
1980	June 30	Sept. 30	Dec. 31	Mar. 31
Sales	$122,124	$132,273	$124,490	$ 99,172
Gross profit (1)	$ 42,199	$ 46,806	$ 41,644	$ 34,032
Net earnings	$ 4,510	$ 6,619	$ 5,285	$ 924
Net earnings per common share	18.3¢	28.1¢	21.9¢	1.8¢
1979				
Sales	$108,708	$104,917	$105,333	$ 82,315
Gross profit (1)	$ 37,050	$ 36,567	$ 34,840	$ 27,471
Earnings before extraordinary item	$ 4,292	$ 5,067	$ 3,916	$ 337
Extraordinary item	322	—	—	—
Net earnings	$ 4,614	$ 5,067	$ 3,916	$ 337
Net earnings (loss) per common share				
Before extraordinary item	17.3¢	20.9¢	15.6¢	(0.9)¢
After extraordinary item	18.8¢	20.9¢	15.6¢	(0.9)¢

(1) Sales less excise and sales taxes and raw materials and manufacturing costs.

Consolidated

(in thous

ASSETS	March 31 1980	March 31 1979
Current assets		
Cash and short term deposits	$ 8,855	$ 8,927
Accounts receivable	29,740	28,502
Mortgage receivable	6,885	—
Inventories		
Beverage products, finished and in process	34,959	32,293
Materials and supplies	11,463	10,130
Containers	8,435	7,636
	54,857	50,059
Prepaid expenses	3,521	3,454
Total current assets	103,858	90,942
Property, plant and equipment, at cost		
Land	6,338	6,135
Buildings	69,128	66,724
Machinery and equipment	102,621	97,454
Motor vehicles	13,197	12,153
Oil and gas assets (Note 1)	57,674	45,771
Leasehold improvements	1,656	1,350
	250,614	229,587
Less accumulated depreciation and depletion	102,767	96,851
	147,847	132,736
Other assets		
Sports franchises, less amortization (Note 2)	12,680	6,067
Mortgages and long term receivables	203	7,079
Deferred charges and other investments	4,440	3,949
Cost of shares of subsidiaries in excess of underlying net tangible asset values at acquisition, less amortization	11,805	12,058
	29,128	29,153
	$280,833	$252,831

APPROVED BY THE BOARD:

J. C. LOCKWOOD, *Director*

N. TORNO, *Director*

Balance Sheet

of dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY	March 31 1980	March 31 1979
Current liabilities		
Bank indebtedness and notes payable	$ 7,128	$ 3,008
Accounts payable and accrued liabilities	43,891	34,896
Income taxes	3,186	3,912
Other taxes	9,156	7,594
Dividends payable	1,062	1,065
Total current liabilities	64,423	50,475
Long term debt (Note 3)		
Sinking fund debentures payable in either Canadian or United States funds at par, at the option of the holder		
Series B 4¼% due January 15, 1981	800	1,600
Sinking fund debentures		
Series C 5% due January 15, 1983	1,800	2,315
Series D 5½% due April 1, 1986	3,819	4,164
Series E 5½% due April 1, 1989	7,376	7,458
Term bank loan, due March 31, 1985	6,400	7,000
	20,195	22,537
Less amount included in current liabilities	2,000	1,915
	18,195	20,622
Unfunded pensions (Note 5)	695	—
Deferred income taxes	28,144	25,320
Minority interest	1,865	1,824
Shareholders' equity		
Capital stock (Note 4)		
Authorized		
855,532 preference shares with a par value of $50 each, issuable in series		
30,001,260 common shares without par value		
Issued		
433,745 $2.20 cumulative redeemable preference shares, Series A	21,687	21,687
421,787 $2.65 cumulative redeemable preference shares, Series B	21,089	21,339
21,762,295 common shares	78,357	78,357
	121,133	121,383
Retained earnings	46,378	33,207
Total shareholders' equity	167,511	154,590
	$280,833	$252,831

CARLING O'KEEFE LIMITED
AND SUBSIDIARY COMPANIES
(Incorporated under the laws of Ontario)

Consolidated Statement of Earnings

(in thousands of dollars)

	Year Ended March 31 1980	1979
Income		
Sales	$478,059	$401,273
Excise and sales taxes	152,827	129,884
	325,232	271,389
Investment and other income	6,579	6,241
	331,811	277,630
Costs		
Raw materials and manufacturing	160,551	135,461
Marketing and distribution	116,314	99,533
Administrative and general	22,635	18,641
Interest on long term debt	1,827	1,787
Other interest	812	217
Foreign exchange	412	(758)
Minority interest	41	64
	302,592	254,945
Earnings before income taxes	29,219	22,685
Income taxes (Note 6)		
Current	9,057	5,848
Deferred	2,824	3,225
	11,881	9,073
EARNINGS FROM OPERATIONS BEFORE EXTRAORDINARY ITEM	17,338	13,612
Extraordinary item		
Gain on sale of winery assets $351 less minority interest	—	322
EARNINGS FOR THE YEAR	$ 17,338	$ 13,934
Earnings per common share for the year		
Preference share dividends	$ (2,077)	$ (2,091)
Earnings for the year applicable to 21,762,295 common shares outstanding	$ 15,261	$ 11,843
Before extraordinary item	70¢	53¢
After extraordinary item	70¢	54¢
Dividends per common share	10¢	5¢

Consolidated Statement of Changes in Financial Position

(in thousands of dollars)

	Year Ended March 31	
	1980	1979
Working capital was increased by		
Earnings from operations before extraordinary item	$ 17,338	$ 13,612
Depreciation, depletion and amortization	10,099	8,944
Deferred income taxes	2,824	3,225
Other items not requiring working capital	800	1,338
Funds from operations	31,061	27,119
Sale of winery assets	—	1,183
Disposal of property, plant and equipment and other assets	1,029	1,234
Mortgage receivable	6,885	—
	38,975	29,536
Working capital was decreased by		
Additions to property, plant and equipment	25,391	26,533
Cost of National Hockey League franchise (Note 2)	6,937	—
Purchase of assets of The Toronto Argonaut Football Club $3,500 plus working capital deficiency $768	—	4,268
Additions to other assets	937	704
Reduction of long term debt	2,325	3,651
Dividends		
Preference shares	2,077	2,091
Common shares	2,176	1,088
Purchase of preference shares	164	173
	40,007	38,508
Decrease in working capital	1,032	8,972
Working capital at beginning of year	40,467	49,439
Working capital at end of year	$ 39,435	$ 40,467

Consolidated Statement of Retained Earnings

(in thousands of dollars)

	Year Ended March 31	
	1980	1979
Balance at beginning of year	$ 33,207	$ 22,368
Earnings for the year	17,338	13,934
Excess of par value over cost of preference shares purchased for cancellation	86	84
	50,631	36,386
Dividends		
Preference		
$2.20 per Series A share and $2.65 per Series B share	2,077	2,091
Common—10¢ per share (1979—5¢ per share)	2,176	1,088
Balance at end of year	$ 46,378	$ 33,207

Analysis of Changes in Consolidated Working Capital

(in thousands of dollars)

	Year Ended March 31	
	1980	1979
Increase (decrease) in current assets		
Cash and short term deposits	$ (72)	$ (8,066)
Accounts receivable	1,238	1,514
Recoverable income taxes	—	(664)
Mortgage receivable	6,885	—
Inventories	4,798	3,089
Prepaid expenses	67	132
Total	12,916	(3,995)
(Increase) decrease in current liabilities		
Bank indebtedness and notes payable	(4,120)	(739)
Accounts payable and accrued liabilities	(8,995)	(3,651)
Income taxes	726	452
Other taxes	(1,562)	(499)
Dividends payable	3	(540)
Total	(13,948)	(4,977)
Decrease in working capital	$ (1,032)	$ (8,972)

CARLING O'KEEFE LIMITED
AND SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements

MARCH 31, 1980 AND 1979

1. Accounting Policies

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all of its subsidiary companies. The principal operating subsidiaries are listed on the inside cover. Purchase accounting has been followed for all acquisitions. For certain subsidiaries acquired prior to April 1, 1974 the excess of the cost of shares over the value of the underlying net tangible assets at the time of acquisition is carried at cost and is not amortized. In accordance with current accounting practice, intangible assets acquired subsequently and sports franchises are amortized over periods not exceeding forty years.

FOREIGN EXCHANGE

Foreign currency accounts are translated to Canadian dollars as follows: current accounts at exchange rates in effect at March 31; other balance sheet accounts and depreciation expense at historical rates of exchange; income and other costs at average rates of exchange during the year. The resulting exchange gains or losses are included in the consolidated statement of earnings.

INVENTORIES

Inventories of beverage products, materials and supplies are stated at the lower of average cost and net realizable value. Containers are recorded at amortized cost which is lower than new replacement cost.

PROPERTY, PLANT AND EQUIPMENT

Depreciation is provided on the straight line basis at the following rates per annum:

Buildings	2½%– 6⅔%
Machinery and equipment	6⅔%–10%
Motor vehicles	10%–25%

Oil and gas assets excluding equipment are accounted for on the full cost method, whereby all costs of exploration and development are capitalized and amortized against income using the unit of production method based on proved oil and gas reserves. The 1979 oil and gas assets have been restated to include related equipment.

OTHER ASSETS

Other assets are recorded at cost or amortized cost.

PENSIONS

Current service costs are charged to operations as they accrue. Prior service costs arising from amendments to the plans and actuarial gains or losses are charged to operations over periods up to fifteen years.

MARKETING COSTS

Marketing costs, including those related to the introduction of new brands, are charged to operations during the year primarily in relation to sales, and are fully expensed by the end of the year in which the cost is incurred.

INCOME TAXES

Income taxes are accounted for on the tax allocation basis for all timing differences between accounting and taxable income. These timing differences arise principally between accounting and tax depreciation.

2. Sports Franchises

On June 22, 1979 Le Club de Hockey Les Nordiques, Inc. (Club) was granted a National Hockey League (NHL) franchise for Quebec City at a cost of $6,937,000. The Club and the other teams which were granted franchises at that time were each required to waive future revenues up to a maximum of $1,375,000 which might arise from expansion, franchise transfer and international hockey games. They were also required to indemnify the NHL and its member teams

from all claims arising from the 1979 expansion, and grant security interest in their respective assets and procure an indemnity bond in favour of the NHL and its member teams to secure this commitment.

Effective December 15, 1978 Carling O'Keefe Breweries of Canada Limited acquired for $3,500,000 cash the 60% interest in The Toronto Argonaut Football Club which it did not previously own. As a result of this transaction the cost of this sports franchise increased to $6,067,000.

3. Long Term Debt

The term bank loan of $6,400,000, bears interest at ½% over the bank's prime rate and is repayable in varying instalments up to March 31, 1985.

Principal payments on long term debt for the years 1981 through 1985 are as follows: 1981—$2,000,000; 1982—$2,995,000; 1983—$3,800,000; 1984—$3,800,000; 1985—$2,800,000.

4. Capital Stock

The Series A and B preference shares are redeemable at the option of the Company at $53.00 and $52.50 per share respectively. During the year ended March 31, 1980, 5,000 Series B shares were purchased on the open market for cancellation (1979—5,140).

Rothmans Investments Limited, a wholly owned subsidiary of Rothmans of Pall Mall Canada Limited, is the owner of record of 50.1% of the Company's common shares.

5. Pensions

The Company and its subsidiaries maintain a number of pension plans covering substantially all employees and generally it is the Company's policy to fund pensions with independent trustees in accordance with legal requirements. Certain supplementary pensions are unfunded and charged to operations when paid. Based on actuarial valuations, unfunded prior service costs are estimated at $10,000,000 of which $695,000 is vested and has been charged to operations in the current year. The unrecorded unfunded amounts are being charged to operations over periods up to fifteen years as described in Note 1. Total pension expense for the year ended March 31, 1980 was $6,488,000 (1979—$4,755,000).

6. Income Taxes

The difference between the effective tax rate and a statutory rate is accounted for as follows:

	1980	1979
Income taxes based on a rate of 50% (1979—49%)	$14,610,000	$11,115,000
Incentives	(2,857,000)	(1,947,000)
Deferred tax rate adjustment in Ireland	(977,000)	(401,000)
Other	1,105,000	306,000
Income taxes—effective rate 40% (1979—40%)	$11,881,000	$ 9,073,000

Incentives include resource and depletion allowances net of crown royalties, inventory allowance, manufacturing and processing credits and investment tax credits.

7. Commitments and Contingent Liabilities

Under a long term agreement with The United Breweries Limited of Copenhagen, Denmark, the Company and its affiliates have access to the brewing research and technical knowledge of United Breweries, together with the exclusive right to manufacture and sell brewery products under the Carlsberg and Tuborg trade marks in Canada and the Republic of Ireland. Royalties are payable based on total sales of all brewery products at rates varying with the volumes and selling prices of the products. The agreement is cancellable on twenty years' notice or earlier if certain specified conditions are not fulfilled.

On April 28, 1978, in consideration of a payment of $600,000 to the minority shareholders of Jordan Valley Wines Limited the commitment to acquire the minority interest (8.1%) was extended to the 1982 fiscal year. The purchase price will be at least equal to $2,993,000. Mr. N. Torno, a Director of the Company, and a member of his family hold the minority shares.

Capital expenditures for 1981 are expected to aggregate $30,000,000.

There are a number of outstanding claims and legal actions involving the Company. In the opinion of management, the outcome of these matters should have no material adverse effect on the Company's financial position.

8. Sale of Trade Marks

On April 29, 1980, the Company announced that it had finalized an agreement to sell, effective March 31, 1980, the Carling Black Label and Red Cap trade marks for southern Africa subject to certain governmental approvals. Maximum consideration of Rand 14,500,000 will be received over a four year period and is subject to reduction should certain objectives not be achieved. Upon completion of the transaction, the gain on sale of $10,500,000 (48¢ per common share), after applicable income taxes of $2,800,000, will be reported as an extraordinary item. In determining the gain, the estimated receivable has been reduced by $5,711,000 using an imputed interest rate of 20% to bring it to its present value. The maximum consideration has been treated as an eligible capital receipt for taxation purposes.

9. Other

Certain specific unaudited information with respect to the estimated March 31, 1980 replacement cost of inventories and productive assets and the approximate effect which replacement costs would have had on the cost of sales and depreciation expense for the year, is included in the Company's Form 10-K which is filed annually with the Securities and Exchange Commission, Washington, D.C.

The summary information on operations by segment is presented on Page 21. Summarized unaudited quarterly financial data for 1980 and 1979 is included on Page 11 and supplementary unaudited information on oil and gas operations is included on Page 9.

Price Waterhouse & Co.
CHARTERED ACCOUNTANTS

Box 51 Toronto-Dominion Centre
Toronto, Ont. M5K 1G1
(416) 863-1133 Telex 02-2246

May 30, 1980

Auditors' Report

TO THE SHAREHOLDERS OF CARLING O'KEEFE LIMITED:

We have examined the consolidated statements of earnings, retained earnings, analysis of changes in working capital and changes in financial position of Carling O'Keefe Limited for the year ended March 31, 1980 and the consolidated balance sheet as at that date. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the results of operations, changes in working capital and changes in financial position of the Company for the year ended March 31, 1980 and its financial position as at that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.
Chartered Accountants

FIVE YEAR FINANCIAL SUMMARY

(in thousands of dollars)

	Year Ended March 31				
	1980	1979	1978	1977	1976
Results for the Year					
Sales	$478,059	$401,273	$381,147	$359,189	$343,511
Excise and sales taxes	152,827	129,884	123,314	114,271	114,012
Sales excluding taxes	325,232	271,389	257,833	244,918	229,499
Operating costs	289,401	244,691	231,863	229,545	205,997
Investment and other income	(6,579)	(6,241)	(4,470)	(3,570)	(3,455)
Foreign exchange (gain) loss	412	(758)	(678)	180	1,123
Interest expense	2,639	2,004	2,755	2,988	3,024
Minority interest	41	64	83	(29)	167
Depreciation, depletion and amortization	10,099	8,944	8,501	7,777	7,843
Earnings from continuing operations before income taxes	29,219	22,685	19,779	8,027	14,800
Income taxes	11,881	9,073	7,970	3,194	4,466
Earnings from continuing operations	17,338	13,612	11,809	4,833	10,334
Loss from discontinued operations	–	–	(10,157)	(101)	(9,488)
Earnings before extraordinary items	17,338	13,612	1,652	4,732	846
Extraordinary items					
Continuing operations	–	322	1,882	–	–
Discontinued operations	–	–	(12,093)	670	(3,363)
Net earnings (loss)	$ 17,338	$ 13,934	$(8,559)	$ 5,402	$ (2,517)
Dividends —preference	$ 2,077	$ 2,091	$ 2,107	$ 2,117	$ 2,132
—common	$ 2,176	$ 1,088	$ –	$ –	$ –
Net earnings (loss) per common share					
From continuing operations	70.1¢	52.9¢	44.6 ¢	12.5¢	37.7 ¢
Before extraordinary items	70.1¢	52.9¢	(2.1)¢	12.0¢	(5.9)¢
After extraordinary items	70.1¢	54.4¢	(49.0)¢	15.1¢	(21.4)¢
Dividends	10.0¢	5.0¢	–	–	–
Year end position					
Current assets	$103,858	$ 90,942	$ 94,937	$ 80,641	$ 74,596
Current liabilities	64,423	50,475	45,498	71,716	55,416
Working capital	39,435	40,467	49,439	8,925	19,180
Property, plant and equipment—net	147,847	132,736	117,635	107,791	98,577
Other assets	29,128	29,153	25,352	29,717	28,348
Discontinued operations	–	–	–	50,910	49,782
Less: Long term debt	18,195	20,622	24,592	23,400	27,200
Unfunded pensions	695	–	–	–	–
Deferred income taxes	28,144	25,320	22,095	17,467	15,298
Minority interest	1,865	1,824	1,731	1,648	1,714
Shareholders' equity	$167,511	$154,590	$144,008	$154,828	$151,675
Current ratio	1.6	1.8	2.1	1.1	1.3
Return on shareholders' equity	10.3%	9.0%	(5.9)%	3.5%	(1.7)%
Return on capital employed	10.0%	8.9%	8.4 %	4.8%	7.3 %
Preference share capital	$ 42,776	$ 43,026	$ 43,283	$ 43,538	$ 43,793
Book value per common share	$5.73	$5.13	$4.63	$5.11	$4.96

Return on capital employed represents earnings from continuing operations excluding deferred income taxes and after tax interest expense divided by average capital employed. Capital employed is the average of the opening and closing balances of shareholders' equity (net of discontinued operations), interest bearing debt, unfunded pensions, deferred taxes and minority interest.

Summary Information on Operations by Segment

(in thousands of dollars)

	1980	1979	1978
Sales			
Beer—Canada	$393,281	$329,074	$317,322
—Ireland	39,265	31,519	25,123
Wine	35,873	33,525	31,904
Oil and gas	9,640	7,155	6,798
Consolidated	$478,059	$401,273	$381,147
Earnings			
Beer—Canada	$ 20,834	$ 12,952	$ 12,627
—Ireland	1,660	2,534	1,584
Wine	1,434	2,166	2,383
Oil and gas	4,720	3,816	4,179
	28,648	21,468	20,773
Corporate income—net	3,210	3,221	1,761
Interest expense	(2,639)	(2,004)	(2,755)
Income taxes	(11,881)	(9,073)	(7,970)
Consolidated	$ 17,338	$ 13,612	$ 11,809
Identifiable assets			
Beer—Canada	$141,801	$125,701	$120,679
—Ireland	20,052	16,906	15,251
Wine	52,681	52,963	51,046
Oil and gas	51,993	42,227	28,015
	266,527	237,797	214,991
Corporate	14,306	15,034	22,933
Consolidated	$280,833	$252,831	$237,924
Capital expenditures			
Beer—Canada	$ 9,857	$ 9,262	$ 11,787
—Ireland	1,611	493	164
Wine	1,970	2,305	4,329
Oil and gas	11,953	14,473	6,494
Consolidated	$ 25,391	$ 26,533	$ 22,774
Depreciation and depletion			
Beer—Canada	$ 6,190	$ 5,831	$ 5,780
—Ireland	471	510	554
Wine	1,040	954	941
Oil and gas	2,040	1,614	1,160
Consolidated	$ 9,741	$ 8,909	$ 8,435

Earnings by segment represents total sales less all operating expenses other than corporate costs, interest and income taxes. Identifiable assets are those that are used in the Company's operations in each industry with corporate assets comprised of cash, short term deposits and mortgage receivable.

Lines of Business

Carling O'Keefe Limited, through its subsidiaries, manufactures and sells brewery and wine products in Canada and brewery products in Ireland. It also owns a producing oil and gas company in Canada. All subsidiaries are wholly owned with the exception of Jordan Valley Wines Limited (91.9%).

Carling O'Keefe Breweries of Canada Limited is one of three major brewing companies who together account for approximately 97% of all Canadian beer sales. The company operates eight breweries in Canada with one plant in each of the Provinces of Newfoundland, Quebec, Ontario, Manitoba, Alberta and British Columbia and two plants in the Province of Saskatchewan. Total annual brewing capacity is approximately 5,550,000 hectolitres. Principal brands are O'Keefe Ale, Old Vienna, Carling Black Label, Carlsberg, Colt 45 and Trilight. The company owns Le Club de Hockey Les Nordiques which operates the National Hockey League team in Quebec City and The Argonaut Football Club which operates the Canadian Football League team in Toronto.

Jordan Valley Wines Limited sells in all Provinces and Territories of Canada and operates six wineries with a combined storage capacity of approximately 555,000 hectolitres. One winery is located in each of the Provinces of Manitoba, Saskatchewan, Alberta and British Columbia with two wineries in the Province of Ontario. The company uses two trading styles, Jordan and Ste-Michelle.

Star Oil & Gas Ltd. is engaged in the exploration, development and production of oil and gas in Canada and the United States. The estimated proved developed and undeveloped gross crude oil and natural gas liquids and natural gas reserves before royalties at March 31, 1980 were 979,000 cubic metres and 5,155,000 thousand cubic metres respectively. These are primarily located in the Provinces of Alberta and Saskatchewan.

Beamish & Crawford Limited owns and operates a brewery in Cork, Republic of Ireland with an annual brewing capacity of 290,000 hectolitres. The Irish market is dominated by one major brewer who accounts for approximately 90% of the total industry with the remaining market shared by Beamish & Crawford Limited and one other brewer. Principal brands are Carling Black Label, Carlsberg and Bass Ale.

Other income is derived from investments and from royalties under licensing arrangements for the production and sale of Carling Black Label. An agreement to sell certain trade marks in southern Africa effective March 31, 1980, has been finalized subject to certain governmental approvals.

Management's Discussion and Analysis of Operations

The following explanatory comments relate to the operations of the Company and should be read in conjunction with the consolidated financial statements and related notes appearing elsewhere in this report.

Income

Sales revenue increased $76,786,000 or 19.1% in 1980. Higher unit selling prices provided $47,000,000 of the increase and higher volumes contributed $30,000,000. Beer sales revenue in Canada increased 19.5% as a result of higher unit selling prices and an increase of 9.0% in sales volume which primarily reflected the adverse effect on brewing industry sales of work stoppages in Western Canada during the summer of 1978, together with improved market share. Irish sales revenue increased 24.6% primarily due to higher selling prices together with an increase of 1.3% in

volume. Wine sales volume was 3.0% lower but sales revenue was 7.0% higher due to higher selling prices. Oil and gas volumes were 5.1% and 19.5% higher respectively than last year and revenues increased 34.7% due to the increased volume and higher selling prices.

The increase in excise and sales taxes related to the higher revenues on which sales taxes were calculated together with increased excise taxes in Ireland.

Sales revenues in 1979 which increased $20,126,000 or 5.3% over the previous year reflected higher unit selling prices offset by lower beer sales volumes in Canada due to industry work stoppages in the summer of 1978.

Investment and other income was $338,000 or 5.4% higher than 1979 as the result of increased royalty income offset in part by lower investment income as available funds were utilized in operations. Royalty income increased due to favourable sales volumes, royalty rates and rate of exchange. In 1979 investment and other income was $1,771,000 or 39.6% higher than the previous year due to increased royalty income and investment income.

Costs

Raw materials and manufacturing costs were $25,090,000 or 18.5% higher than in 1979. The increase was due to increased volumes and higher unit costs for labour, malt, packaging materials and plant overheads, including energy costs. In 1979 costs were $983,000 or .7% lower than in 1978 due to the effect of the volume decline, lower malt costs and the benefits gained from the consolidation of the brewing operations in Ontario offset by increased unit costs.

Marketing and distribution costs increased $16,781,000 or 16.9%. Marketing costs increased primarily due to increased advertising activities in support of recently launched beer and wine brands. Higher distribution costs were due to increased volume, additional warehouses and retail stores and higher unit costs for labour and fuel. In 1979 costs increased $13,786,000 or 16.1% primarily due to increased promotion and advertising activities, higher unit costs of distribution and additional costs for new retail stores.

Administrative and general costs increased $3,994,000 or 21.4%. This reflected increased salary and fringe benefits costs, the effect of work stoppages in 1979, provision for closure costs of the Regina brewery, the write-off of goodwill related to Chalet Wines and the reversal in 1979 of certain prior year's cost provisions which were no longer required. In 1979 generally higher unit costs offset by the provision reversal resulted in an increase of $468,000 or 2.6%.

Increased interest expense of $635,000 or 31.7% reflected increased borrowings and higher interest rates on funds bearing a floating interest rate. In 1979 interest expense declined as proceeds on the sale of assets in fiscal 1978 were used to minimize the outstanding borrowings. The foreign exchange loss of $412,000 in 1980 compared to a gain of $758,000 in the previous year reflected the change in the value of the Irish punt compared to the Canadian dollar in each period.

In both 1980 and 1979 the income tax provision represented approximately 40% of earnings. In both years these amounts were lower than the statutory rates applicable due to various tax incentive programmes and low tax rates in Ireland.

In 1979 the gain on the sale of the surplus winery in Victoria, British Columbia was recorded as an extraordinary item.

It should be noted that results from operations from one quarter to the next are not comparable nor an indication of annual results due to the seasonal nature of the alcoholic beverage industry, which traditionally has greater sales and earnings in the summer months.

CARLING O'KEEFE LIMITED

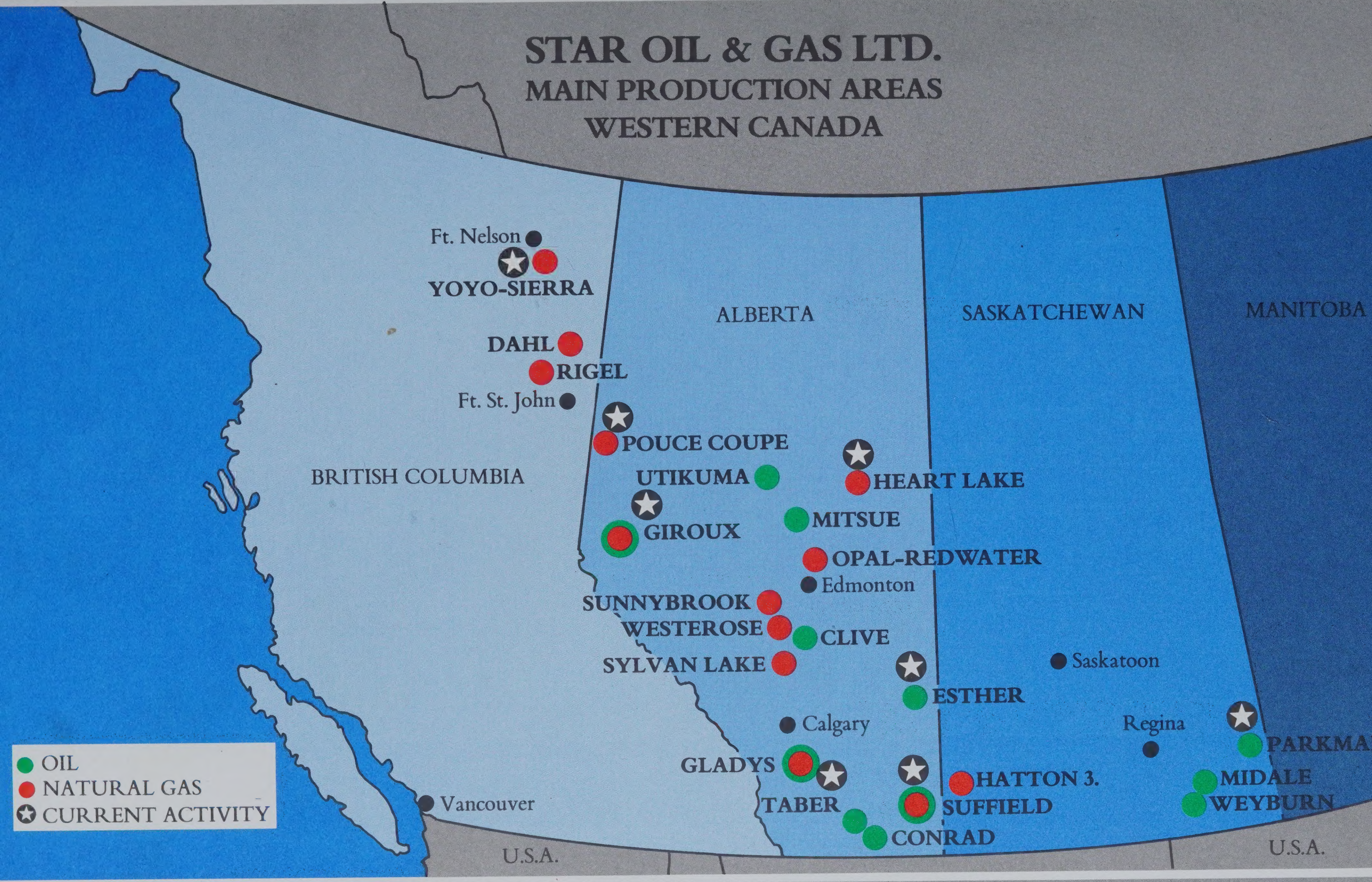
Directors:

RALPH L. BEATTY, C.A.	Executive Vice President Finance Carling O'Keefe Limited Toronto, Ontario
CONRAD M. BLACK, LL.L., M.A.	Chairman of the Executive Committee Hollinger Argus Limited Toronto, Ontario
JOHN P. U. BURR, M.B.E.	Director Bass Limited London, England
JOHN H. DEVLIN	Chairman of the Board Rothmans of Pall Mall Canada Limited Toronto, Ontario
THE HONOURABLE JEAN LESAGE, P.C., C.C., Q.C., LL.D.	Senior Partner Lesage, Paquet & Lesage Quebec, Quebec
JOHN C. LOCKWOOD†	Chairman of the Board Carling O'Keefe Limited Toronto, Ontario
S. RODERICK McINNES, C.A.†	President & Chief Executive Officer Carling O'Keefe Limited Toronto, Ontario
SIR DAVID NICOLSON, F. Eng., M.E.P.	Chairman of the Board Rothmans International Limited London, England
GEORGE C. SOLOMON*	President Western Limited Regina, Saskatchewan
POUL J. SVANHOLM	President & Chief Executive Officer The United Breweries Limited Copenhagen, Denmark
NOAH TORNO, M.B.E.*†	Chairman of the Board Niagara Gas Transmission Limited Toronto, Ontario
LOUISE B. VAILLANCOURT*	Company Director Outremont, Quebec

†Member of the Pension and Compensation Committee of the Board
*Member of the Audit Committee of the Board

Officers:

Chairman of the Board	JOHN C. LOCKWOOD
President & Chief Executive Officer	S. RODERICK McINNES
Executive Vice President Finance	RALPH L. BEATTY
Vice President International	J. ANTHONY GAUNTLEY, M.C.
Vice President Legal & Secretary	PETER JOHN YOUNG
Treasurer	ALAN M. HODGE
Assistant Secretary	LINDA I. THOMPSON


STAR OIL & GAS LTD.
MAIN PRODUCTION AREAS
WESTERN CANADA
BRITISH COLUMBIA
ALBERTA
SASKATCHEWAN
MANITOBA
U.S.A.
U.S.A.
Ft. Nelson
YOYO-SIERRA
DAHL
RIGEL
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POUCE COUPE
UTIKUMA
GIROUX
HEART LAKE
MITSUE
OPAL-REDWATER
Edmonton
SUNNYBROOK
WESTEROSE
CLIVE
SYLVAN LAKE
ESTHER
Saskatoon
Calgary
GLADYS
TABER
CONRAD
SUFFIELD
HATTON 3.
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CURRENT ACTIVITY